



J. C. Penney Company

1962 ANNUAL REPORT

On the cover front and back are illustrated some of the departments featured in Penney's new Fort Lauderdale store which opened last October in Coral Ridge Shopping Center. One of 32 Penney's serving Florida, the Fort Lauderdale store is the second largest store your Company opened in fiscal 1962. It aggregates more than 90,000 square feet.



Largest store in the Southland Terrace Shopping Center, Louisville, Kentucky, is the new Penney's which opened last September. All on one floor, it contains more than 50,000 square feet. This second Louisville Penney's features the Company's traditional soft lines and some hard lines including occasional furniture and Penney-brand hi-fi and radios. Penney's first opened in downtown Louisville in 1952 at 535 South Fourth Street.

15 new stores opened

FLORIDA	Kansas City
Coral Ridge	River Roads
Shopping Center	Shopping Center
Fort Lauderdale	St. Louis
GEORGIA	NEW YORK
Bry-Man 7 Cities Plaza	Pittsford Plaza
Dalton	Shopping Center
	Rochester
ILLINOIS	OHIO
Eastgate Plaza	Southland
Shopping Center	Shopping Center
East Alton	Toledo
KENTUCKY	TEXAS
Southland Terrace	Westgate
Shopping Center	Shopping Center
Louisville	Abilene
MICHIGAN	Richland Plaza
Arborland	Shopping Center
Shopping Center	Fort Worth
Ann Arbor	Pasadena Plaza
MINNESOTA	Shopping Center
Brookdale	Pasadena
Shopping Center	Richardson Heights
Minneapolis	Village
MISSOURI	Richardson
Ward Parkway	McCreless
Shopping Center	Shopping City
	San Antonio

15 established stores moved to new buildings

ARIZONA	Findlay
Flagstaff	Southgate
CALIFORNIA	Shopping Center
Napa	Newark
ILLINOIS	OREGON
Flora	Oregon City
	Shopping Center
KANSAS	PENNSYLVANIA
Atchison	Hillcrest
MICHIGAN	Shopping Center
Ironwood	New Kensington
MINNESOTA	Oil City
Fergus Falls	SOUTH DAKOTA
MISSISSIPPI	Madison
Clarksdale	Vermillion
OHIO	TEXAS
Findlay Square	Abilene
Shopping Center	

1684 Penney stores serve the U. S. coast to coast (as of Jan. 31, 1963)

IN THE WEST — 452 STORES

Arizona 21	New Mexico 20
California 160	Oregon 40
Colorado 42	Utah 25
Idaho 30	Washington 58
Montana 31	Wyoming 19
Nevada 6	

IN THE SOUTH — 462 STORES

Alabama 18	Mississippi 22
Arkansas 19	North Carolina 35
Delaware 3	Oklahoma 47
Florida 32	South Carolina 14
Georgia 23	Tennessee 25
Kentucky 24	Texas 142
Louisiana 16	Virginia 21
Maryland 8	West Virginia 13

IN THE NORTH CENTRAL — 633 STORES

Illinois 51	Missouri 53
Indiana 56	Nebraska 40
Iowa 67	North Dakota 23
Kansas 62	Ohio 86
Michigan 57	South Dakota 22
Minnesota 59	Wisconsin 57

IN THE NORTHEAST — 137 STORES

Connecticut 5	New Jersey 9
Maine 8	New York 38
Massachusetts 7	Pennsylvania 64
New Hampshire 3	Vermont 3



J. C. PENNEY COMPANY

A Delaware Corporation / Founded 1902

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Transfer Agent

Chemical Bank
New York Trust Co.
20 Pine Street
New York 15, New York

Registrar

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York 15, New York

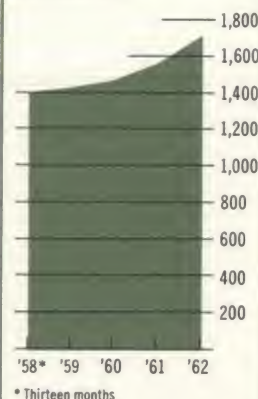
Annual Meeting

The annual meeting of stockholders will be held at 10 a.m., on May 21, 1963 in the Terrace Ballroom, Hotel Statler Hilton, 7th Avenue and 33rd Street, New York, N. Y. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 10. Your prompt attention to the proxy statement will be greatly appreciated.

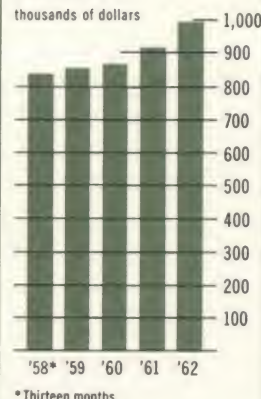
Results in Brief

	Year ended January 31	
	1963	1962
Sales	\$1,701,332,645	\$1,553,505,660
Earnings (after tax)	\$54,804,070	\$51,738,552
Dividends	\$37,386,567	\$37,043,784
Taxes (federal, state and local)	\$81,272,162	\$74,841,174
Per share		
Earnings (after tax)	\$2.20	\$2.10
Dividends	\$1.50	\$1.50
Taxes (federal, state and local)	\$3.26	\$3.03

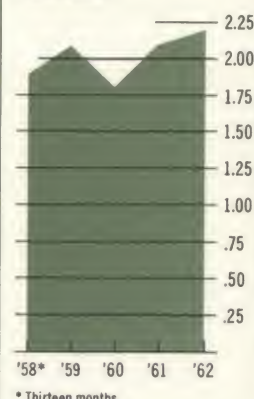
TOTAL SALES
millions of dollars



AVERAGE SALES PER STORE
thousands of dollars



NET EARNINGS PER SHARE



TO OUR STOCKHOLDERS:

March 20, 1963

Record sales, earnings for year

Sales and earnings for fiscal 1962 rose to all-time record highs.

Sales amounted to \$1,701,332,645, including those of General Merchandise Company. This represents an increase of \$108,142,753, or 6.8 per cent, after adjusting the 1961 figure to include sales of the catalog division acquired in 1962.

Earnings before federal income tax totaled \$114,404,070 as compared to \$107,638,552 for 1961, an increase of 6.3 per cent. Net earnings for 1962 rose to \$54,804,070 from \$51,738,552 a year ago, an increase of 5.9 per cent. This represents \$2.20 a share against \$2.10 a share a year ago.

Dividends of \$1.50 a share were paid during fiscal 1962, including an extra dividend of 30¢ a share.

Federal, state and local taxes took \$3.26 a share.

We want to thank the thousands of loyal Penney associates whose efforts have meant

so much to our continued growth and progress; our vendors whose compliance with our quality standards is vital to our success and all others whose help and cooperation made possible the most successful year in our history.

Financial position continues strong

Your Company continues to maintain a strong financial position. At year's end, working capital totaled \$280,163,738 against \$252,410,793 at the end of fiscal 1961. Merchandise inventory, at \$244,030,829, was in line with sales expectations and seasonal needs. Accounts receivable less allowance for doubtful accounts totaled \$170,690,708, up \$70,088,880 from a year ago.

As anticipated, we resorted to short-term borrowing during the year and expect to do so again this year to meet seasonal requirements. In addition, consideration is being

given to the formation of a finance subsidiary. If established, it would purchase accounts receivable from the parent Company, providing a source of funds as well as greater flexibility in the financing of receivables.

Credit program moves ahead

In March of last year the last group of Penney stores completed installation of credit selling, marking the end of this phase of the program. At year's end, we had about four million active charge accounts. Fourteen regional credit offices, making extensive use of electronic equipment, are servicing customers' accounts quickly and efficiently. Our big job is refining and improving our credit operation while making maximum use of credit as a merchandising tool.

Catalog sales made Penney division

As previously reported, we acquired General Merchandise Company of Milwaukee in February of 1962. In January of this year it was merged into the Penney Company and catalog sales became a division of the Penney Company. The two lower-margin "Treasure Island" department stores at Appleton and Madison, Wisconsin, which were part of the General Merchandise Company operation, are now being operated by a wholly-owned subsidiary of the Penney Company, Mid-West Corporation.

Catalog centers were opened last September in a selected group of seven Mid-western Penney stores that could be served within 48 hours from our Milwaukee distribution center. This merchandise distribution center is believed to employ the most advanced materials-handling methods of any such center in the United States.

Catalog centers are scheduled for installation in over 100 Penney stores this year. Thus we are gradually expanding the range of merchandise made available to our customers and gearing our plans to three-way service — through our nearly 1,700 retail stores, through catalog centers in the stores and through metropolitan telephone units.

However, as noted elsewhere in this report, expansion of the catalog and telephone sales business is essentially long-range and dependent on development of a network of distribution centers. Heavy start-up and promotional expenses prevented the catalog sales division from operating profitably during the initial transition period, and this trend is likely to continue during 1963.

Capital expenditures will rise

As described on page 12, our store expansion and modernization program continued to show progress. Our shopping center stores, as a result of openings last year, now total 202.

During the year a real estate subsidiary, J. C. Penney Properties, Inc., was established. It holds title to our Milwaukee distribution center.

Capital expenditures are scheduled to rise from \$19 million in 1962 to an estimated \$31 million this year. This projected increase is attributable chiefly to expansion of the Milwaukee distribution center needed for our expanding catalog and telephone sales operations, and for our retail stores; to development of the proposed automotive centers described on page 10; to establishment of distribution facilities and the fixturing needed in our expanded merchandising program, and to the generally larger Penney stores we are opening today.

Officer and director changes

Lester O. Naylor, president of General Merchandise Company, was named director of catalog sales and operations and a vice-president of the Penney Company upon the merger of General Merchandise Company into the Penney Company.

Jack F. Behrendt, senior vice-president of General Merchandise Company, became president of Mid-West Corporation, the separate subsidiary operating the two Treasure Island lower-margin stores.

Frederick L. Finnegan, vice-president, who for the past year has been serving in dual capacities, has relinquished his posi-

tion as director of finance to devote full time to overall direction of the catalog sales division and the Treasure Island stores subsidiary.

Kenneth S. Axelson, a partner in Peat, Marwick, Mitchell & Co., the accounting firm, becomes vice-president and director of finance effective May 1. Mr. Axelson, who has been in charge of consulting services for the accounting firm's 76 offices throughout the United States, has worked closely with us for a number of years.

Pay plans revised

Early in 1960, a comprehensive study was undertaken to determine whether the Company's management pay plans, in view of current and future needs, were of a nature to attract and retain competent management personnel at a competitive cost. The study resulted in the development of revised pay plans for both store management and general management.

For store management and general management personnel at higher responsibility levels, the revised plans retain the profit-sharing principle which has been fundamental in Penney compensation philosophy since the Company's early history. The plans continue to base a substantial portion of the earnings of store management associates on store profits, and of general management associates on Company profits, with the percentage of earnings dependent upon profits increasing with responsibility level.

By retaining the compensation principles so effective in the past, and by instituting needed changes in light of today's conditions, the revised plans should enhance the Company's ability to attract, motivate and retain Penney people essential to our continued growth and development.

A glance ahead

Most economic forecasts indicate a continuance of the present level of business during the first half of the year, or possibly a moderate increase. We are budgeting for a small gain in sales.

It is apparent that the projected expansion plans described in this report will not be immediately profitable. In fact, the initial effect will be additional costs to build the buying, supervisory and other staffs necessary to develop and launch the new programs. Also, "start-up" and higher-than-normal sales promotional costs are to be expected.

Assuming a moderate sales increase and anticipated higher costs, earnings could be under pressure and intensive efforts are being made to control costs in all phases of the operation.

It is difficult at this time to forecast the outlook for the second half, which contributes so importantly to the year's results.

As we enter our 61st year of doing business, we believe the inherent strengths of the Penney Company augur well for continued growth in the future. They include:

Our reputation for quality, value and fair dealing.

Our thrifty, low-cost operation making possible outstanding values in Penney-quality merchandise.

The generally excellent physical condition of our stores, and satisfactory leases and locations.

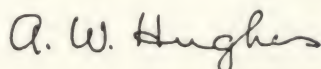
The training and morale of Penney people.

A strong financial position.

The Company's record since 1902.

We appreciate the support you stockholders have given us. We shall endeavor to discharge well our responsibility to you.

Sincerely,



Chairman of the Board



President

**OFFICERS' AND DIRECTORS' PENNEY
EXPERIENCE TOTALS 463 YEARS**



W. M. Batten, president and chief executive officer, and director, 28 years; R. H. Jordan, executive vice-president and director, 33 years; A. W. Hughes, chairman of the board, 43 years.



J. C. Penney, founder and director, 61 years.



C. L. Wright, vice-president and director, general sales and merchandise manager, 35 years; W. L. Marshall, vice-president and director, manager of district management department, 37 years.



Above, left, Wellington Powell, director, vice-president — marketing, American Telephone & Telegraph Company, 2 years; F. R. Seltzer, vice-president and director, director of personnel, 37 years; E. A. Ross, director, retired real estate manager, 47 years.



Center, H. C. Sheperd, director, chairman of the board, Fundamental Investors, Inc., 4 years; F. A. Bantz, director, retired vice-president and merchandise manager, 41 years; E. L. Moore, vice-president, director of real estate and store planning, 22 years.



Left, Arthur Jacobsen, treasurer, 7 years; F. L. Finnegan, vice-president and director, director of finance, 28 years; C. T. Stewart, secretary and general counsel, 3 years; G. M. Campbell, comptroller and director, 34 years.

Far left, L. O. Naylor, vice-president and director of catalog sales and operations, 1 year.

PENNEY'S MAKES FASHION NEWS



Acclaimed by fashion editors and writers last fall was this three-piece outfit designed for Penney's by Britain's Mary Quant. It was part of a collection introduced at a showing at the British Embassy and later made available at selected Penney stores. All the garments were mass-produced in England under Miss Quant's supervision. Skirt and vest \$19.95; blouse \$8.95.



Last fall, Penney's made fashion news country-wide when we introduced a collection of fashion coordinates by the young British designer Mary Quant (see photo left). This spring Penney's claims another fashion coup with its coordinated sportswear for men and women. Working closely with fabric and garment manufacturers, Penney buyers color-coordinated this fashion merchandise on a nation-wide basis . . . for another great Penney value and another fashion first! Sample items, men's: sport shirt in Fortrel® polyester and combed cotton, \$3.98; plaid sport coat, in same fabric, \$17.95. Women's: solid denim plaid reversible wrap skirt, \$6.95; plaid jumper in Fortrel® and combed cotton, \$6.95. All items in Penney's own Newport blue.





Shoes chemically treated with Sanitized to protect leather and linings from bacterial action are tested by Penney laboratory technician.



Thread counts are made to insure conformity to Penney's specifications for fabric construction and weave.

Penney's own brands of hi-fis and household appliances, such as shown here, are tested periodically in the Company's laboratory for safety, performance and dependability.

MAKING SURE OF QUALITY

One way Penney's assures its customers of the most value for the money is through a program of quality control of merchandise bearing a Penney label. This program had its origins in the early days, when Mr. Penney himself used to make rudimentary tests for shrinkage and color fastness. Today, Penney's comprehensive quality control program, considered a leader in the retail industry, includes:

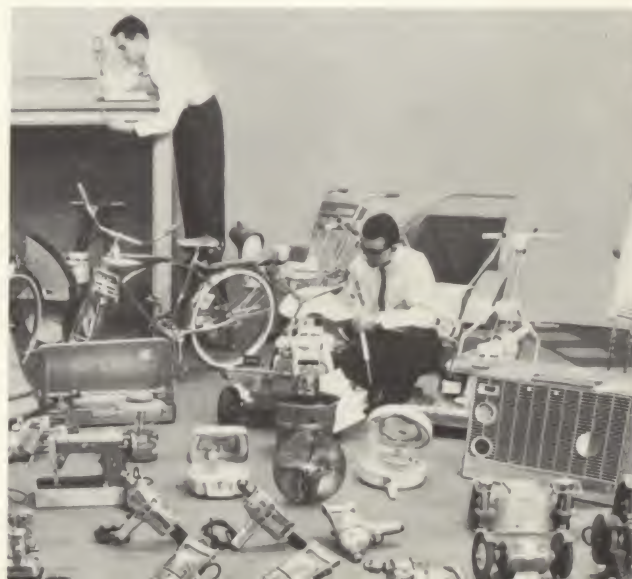
Designing, by Penney's own specialists, to give the highest quality and greatest serviceability possible for the price.

Inspecting, by Penney's own field quality-control specialists, of merchandise in manufacturers' warehouses before it is shipped to our stores.

Testing of merchandise in Penney's own testing laboratory to assure satisfactory performance for our customers.

Each year Penney's laboratory conducts more than 50,000 separate tests on textiles and clothing. Using the most advanced scientific apparatus, Penney technicians can duplicate nearly every condition to which a product may be subjected during its life.

Penney's laboratory also tests the complete line of Penney's own brands of tv, hi-fi, portable transistor radios and appliances as well as a varied selection of equipment for the home. Conformance to rigid standards and specifications is a "must" before any item can be sold under a Penney label.





Typical Penney quality and value are being built into the new Penncrest line of home appliances, illustrated above by the refrigerator, range and portable dishwasher.

PENNEY'S INTRODUCES

PENNCREST

APPLIANCES

Introduced last month in twelve Penney stores was our much-anticipated line of *Penncrest* kitchen and laundry appliances. *Penncrest* is designed to reflect quality and value all through the line, from the most modestly priced to fully featured models.

In addition to exclusive design and top value, *Penncrest* will offer a complete assortment covering all eight lines of free-standing appliances — refrigerators, freezers, air-conditioners, dehumidifiers, ranges, washers, dryers and portable dishwashers. Our service facilities will be equal to or better than those available anywhere.

Promotion of *Penncrest* appliances will center around "Penney Value Extras" — either exclusive features or features found generally only in higher-priced competitive models.

General Electric Company's Hotpoint division will be a major supplier of *Penncrest* appliances, which will be distinctive and especially adapted to the needs of Penney customers.

Sixty-three stores are scheduled to open appliance departments by July of this year.

TBA ... ANOTHER PENNEY OPPORTUNITY

Your Company plans to launch its TBA operation (tires, batteries, automobile accessories) later this year, when a selected number of automotive centers will be opened in the Midwest and Far West. TBA facilities are being planned for all new stores and existing stores moved to new buildings. Our TBA centers, while functional, are designed to be attractive to both male and female customers.



Artist's sketch of one of several proposed designs for a Penney automotive center; above left, Penney's new premium quality tire; left, our new popular price battery; air filter, spark plugs.



The merchandise will carry the name *Foremost*, known to generations of Penney customers through its use on our work clothes. Our lines will be competitive and designed to meet customers' total automotive needs.

In collaboration with Goodyear Tire & Rubber Co., our tire supplier, we have designed a complete line of passenger tires which has tested out superior to comparable competitive lines. For other TBA categories, we have affiliated with suppliers whose experience, research and development facilities are equally well regarded. Product emphasis, as always, has been on quality and value.

We believe TBA represents another Penney opportunity which should show gradual but continuing growth and profitability in the years ahead.

CATALOG CENTERS HELP BROADEN PENNEY'S MERCHANDISE LINES



General Merchandise catalog (above) will be replaced by all-Penney catalog for Fall and Winter. Catalog centers (below) will give customers an additional opportunity to shop, and save, at Penney's.

While the consumer of the Nineteen Sixties has changed in several significant respects, we believe she still wants quality merchandise offered in a friendly, helpful way at the lowest possible prices — the object of our operations these past 61 years.

Specifically, how has the consumer changed? For one thing, she likes the new ways in which a greater variety of goods and services is being offered. It was to help satisfy this demand that Penney's acquired General Merchandise Company of Milwaukee in February of last year.

General Merchandise brought your Company the know-how and physical facilities for entering the catalog and telephone sales field. Last September, seven Illinois and Wisconsin stores became first in the chain to install catalog sales centers. The program is being expanded during 1963, with operations scheduled to move to Indiana, Iowa and Michigan.

To make catalog and telephone sales service available to customers at the earliest possible date, Penney's has been using the General Merchandise catalog. The first all-Penney catalog will be issued for Fall and Winter this year.

It is important to remember that a nationwide catalog service, with a network of distribution facilities, must necessarily be a long-term development. Good progress has been made to date, but it will be several years before catalog centers are installed throughout the chain.





New Store: Pittsford Plaza Shopping Center, Rochester, New York

*Moved to New Building:
Ironwood, Michigan*



MODERN STORES HELP PENNEY'S KEEP COMPETITIVE EDGE



*New Store: River Roads
Shopping Center, St. Louis, Missouri*



*New Store: Southland
Shopping Center, Toledo, Ohio*

Moved to New Building: Clarksdale, Mississippi



To help maintain our competitive edge we enlarged and improved our physical plant in 1962. Total square footage added amounted to 1,128,000 as follows:

- 15 new stores, 799,000 square feet
- 15 established stores moved to new buildings, 158,000 square feet
- 25 expanded stores, 171,000 square feet

In addition, 358 stores were modernized or improved. We closed 17 smaller, less productive stores.

At the end of 1962 the square footage of all Penney stores combined exceeded 40,000,000.

New stores opened last year — all in shopping centers — averaged 53,000 square feet, in contrast to an average of 86,500 square feet for stores planned for fiscal 1963.

Our store expansion plans for 1963 envisage the addition of 2,392,000 square feet, including:

- 15 new stores, 21 relocations, 24 major expansions and 145 modernizations and improvements.

You will be interested in the following summary of the five-year period, 1958-1962, which saw the addition of more than 7,000,000 square feet in our store expansion and modernization program:

- New stores — 113
- Established stores moved to new buildings — 168
- Expansions — 200
- Improved or modernized — 1,005
- Closed — 123



J. C. PENNEY COMPANY AND CONSOLIDATED SUBSIDIARY

**Statement of Earnings
and Retained Earnings**

	<i>Year ended January 31</i>	
	1963	1962
Sales	\$1,701,332,645	\$1,553,505,660
Deduct:		
Cost of merchandise sold, and selling and general expenses	1,535,744,483	1,400,519,541
Maintenance and repairs	4,608,919	4,044,548
Depreciation and amortization	14,961,559	13,793,559
Taxes, other than Federal taxes on income	21,672,162	18,941,174
Company contribution to retirement plan	9,948,184	9,359,874
	<u>1,586,935,307</u>	<u>1,446,658,696</u>
	114,397,338	106,846,964
Miscellaneous income	2,200,886	1,283,839
Less — interest expense	2,194,154	492,251
	<u>6,732</u>	<u>791,588</u>
Net earnings before Federal taxes on income	<u>114,404,070</u>	<u>107,638,552</u>
Provision for Federal taxes on income:		
Current	31,950,000	41,100,000
Deferred	27,650,000	14,800,000
	<u>59,600,000</u>	<u>55,900,000</u>
Net earnings for the year	54,804,070	51,738,552
Retained earnings:		
Balance at beginning of year	288,891,495	274,196,727
Balance at February 1, 1962 applicable to General Merchandise Company (Note 1)	1,247,316	—
	<u>344,942,881</u>	<u>325,935,279</u>
Less dividends — \$1.50 per share	37,386,567	37,043,784
Retained earnings — balance at end of year	<u>\$ 307,556,314</u>	<u>\$ 288,891,495</u>

See notes to financial statements on pages 14 and 15.

Accountants' Report

To the Stockholders and the Board of Directors
J. C. Penney Company:

We have examined the balance sheet of J. C. Penney Company and consolidated subsidiary as of January 31, 1963 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of earnings and retained earnings present fairly the financial position of J. C. Penney Company and consolidated subsidiary at January 31, 1963 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
March 20, 1963

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants

**Balance Sheet**

Assets	<i>January 31</i>	
	1963	1962
Current assets:		
Cash	\$ 31,734,830	\$ 86,686,615
Accounts receivable less allowance for doubtful accounts \$7,023,596 at January 31, 1963	170,690,708	100,601,828
Merchandise at lower of cost or market determined mainly by the retail method	244,030,829	216,598,949
Prepaid expenses	6,123,165	3,645,132
Total current assets	452,579,532	407,532,524
Investment in and advances to J. C. Penney Properties, Inc., at equity in net assets	3,940,052	—
Property and equipment at cost:		
Land	3,173,763	1,999,618
Buildings, less accumulated depreciation of \$5,140,596 at January 31, 1963 and \$6,172,698 at January 31, 1962	7,325,253	5,460,676
Furniture and fixtures, less accumulated depreciation of \$84,704,262 at January 31, 1963 and \$72,438,118 at January 31, 1962	77,948,740	77,046,396
Improvements to leaseholds, less accumulated amortization of \$5,053,393 at January 31, 1963 and \$4,320,566 at January 31, 1962	5,830,695	5,538,332
	94,278,451	90,045,022
Deferred charges	2,037,215	2,059,174
	\$552,835,250	\$499,636,720

Notes to Financial Statements**1. Principles of Consolidation**

On February 21, 1962 the Company acquired the net assets and business of General Merchandise Company in exchange for 227,745 shares of its common stock and reserved an additional 32,007 shares to provide for stock options previously granted by General Merchandise Company to its executive personnel.

The accompanying financial statements include the accounts of General Merchandise and its subsidiaries on a "pooling of interests" basis, commencing February 1, 1962; comparative figures of General Merchandise for the preceding year (sales \$39,000,000, net loss \$50,000) have been omitted as they are not significant.

Subsequent to the merger, executive personnel of General Merchandise exercised options for 1,943 shares; options covering 8,016 shares were cancelled, leaving 22,048 shares reserved for option at January 31, 1963 which may be exercised at prices ranging from \$31.47 to \$45.09 until 1971.

During the year the General Merchandise companies, except Mid-West Corporation, were merged into J. C. Penney Company. A wholly-owned real estate

Liabilities	January 31	
	1963	1962
Current liabilities:		
Notes payable — banks	\$ 13,500,000	\$ —
Accounts payable and accrued liabilities	118,314,099	110,007,412
Dividends payable in February	14,955,326	14,817,514
Provision for Federal taxes on income	25,646,369	30,296,805
Total current liabilities	172,415,794	155,121,731
Deferred Federal taxes on income, \$25,000,000 applicable to instalment sales (Note 2)	27,650,000	14,800,000
Reserves for fire losses and associates' death benefits	6,708,185	6,700,727
Stockholders' equity (Note 1):		
Common stock — par value \$1.00:		
Authorized, 27,000,000 shares.		
Outstanding, 24,925,544 shares	38,504,957	34,122,767
Retained earnings	307,556,314	288,891,495
Total stockholders' equity	346,061,271	323,014,262
	<u>\$552,835,250</u>	<u>\$499,636,720</u>

corporation, J. C. Penney Properties, Inc., was formed in 1962 and acquired certain operating properties; its earnings since incorporation were nominal.

2. Deferred Federal Taxes on Income

The Company in computing depreciation on furniture and fixtures for Federal income tax purposes adopted guideline lives released by the Internal Revenue Service in 1962, but for book purposes such lives were adopted only with respect to acquisitions subsequent to February 1, 1962; the effect of which is to defer the payment of approximately \$2,000,000 in taxes.

The investment credit under the Revenue Act of 1962 has been recorded as a reduction of the current Federal income tax liability of which 48% (approximately \$500,000) has been included in net income. The remainder is included in deferred taxes and will be amortized over the life of the properties to which it applies.

3. Commitments

At January 31, 1963 total minimum annual rentals payable under leases expiring after five years was approximately \$13,000,000. Leases covering approximately 85% of this amount will expire on various dates during the next twenty years.



J. C. PENNEY COMPANY

10-Year Financial Review

Year†	1962	1961	1960	1959
Results for the Year				
Sales	\$1,701,332,645	1,553,505,660	1,468,917,982	1,437,489,357
Earnings before federal tax	\$ 114,404,070	107,638,552	94,094,095	108,023,734
Earnings after federal tax	\$ 54,804,070	51,738,552	44,994,095	51,523,734
Taxes — federal, state and local	\$ 81,272,162	74,841,174	66,694,025	71,767,190
Dividends	\$ 37,386,567	37,043,784	37,043,784	33,339,405
Earnings retained for reinvestment in the business	\$ 17,417,503	14,694,768	7,950,311	18,184,329
Depreciation and amortization	\$ 14,961,559	13,793,559	12,537,040	11,527,181
Capital expenditures	\$ 18,549,440	18,195,230	20,201,386	15,918,373
Per Share Results*				
Net earnings	\$ 2.20	2.10	1.82	2.09
Dividends	\$ 1.50	1.50	1.50	1.35
Taxes — federal, state and local	\$ 3.26	3.03	2.70	2.91
End of Year Position				
Customers' accounts receivable (net)	\$ 168,659,516	97,722,383	52,208,936	19,393,451
Total stockholders' equity	\$ 346,061,271	323,014,262	308,319,494	300,369,182
Total assets	\$ 552,835,250	499,636,720	455,159,907	454,024,398
Ratios to Total Sales				
Earnings before federal tax	% 6.72	6.93	6.40	7.51
Earnings after federal tax	% 3.22	3.33	3.06	3.58
Credit sales	% 24.65	17.12	8.50	2.75
Other				
Number of stockholders	45,315	41,748	39,136	34,766
Number of stores	1,684	1,686	1,695	1,683
Average sales per store (full year)	\$ 995,528	914,571	868,455	852,268

* Figures through 1961 based on 24,695,856 shares resulting from 3 for 1 split in May 1960.
1962 based on 24,925,544 shares outstanding at year end.

† Years 1953 through 1957 are calendar years, 1958 the thirteen month period ended January 31, 1959,
all other years are fiscal years ended January 31 of the subsequent year.

1958	1957	1956	1955	1954	1953
1,409,972,649	1,312,278,407	1,291,867,267	1,220,085,325	1,107,156,633	1,109,507,674
95,376,831	102,560,891	97,130,721	95,739,608	88,266,938	93,458,932
46,876,831	49,410,891	46,780,721	46,139,608	43,616,938	38,472,932
63,148,699	66,494,154	62,835,265	60,831,930	54,596,983	64,750,062
34,985,796	34,985,796	34,985,796	32,516,210	28,811,832	28,811,832
11,891,035	14,425,095	11,794,925	13,623,398	14,805,106	9,661,100
11,790,207	10,062,449	8,783,512	7,033,718	5,117,727	3,877,681
16,392,361	12,470,143	15,986,374	15,029,466	12,018,777	9,963,316
1.90	2.00	1.89	1.87	1.77	1.56
1.42	1.42	1.42	1.32	1.17	1.17
2.56	2.69	2.54	2.46	2.21	2.62
2,658,177	—	—	—	—	—
282,184,854	270,293,818	255,868,723	244,073,797	230,450,398	215,645,292
415,729,120	415,859,334	403,397,769	401,596,925	371,281,591	361,314,972
6.76	7.82	7.52	7.85	7.97	8.42
3.32	3.77	3.62	3.78	3.94	3.47
.30	—	—	—	—	—
33,997	33,720	31,695	30,019	29,421	29,568
1,687	1,694	1,687	1,666	1,644	1,634
837,055	775,491	766,182	735,293	674,844	680,511



Penney's

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